

Regular Session, 2012

SENATE BILL NO. 740

BY SENATOR GUILLORY

RETIREMENT BENEFITS. Provides relative to certain experience accounts. (6/30/12)

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AN ACT

To amend and reenact R.S. 11:542(A)(2) and (3), (B)(introductory paragraph), and (F)(2), 883.1(A)(2) and (3), (B)(introductory paragraph), and (G)(2) and to enact Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:331, and R.S. 11:542(A)(4), (B)(4), (F)(3), and 883.1(A)(4), (B)(4), and (G)(3), relative to certain accounts of the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana; to provide for calculation and application of credits and debits to the systems' experience accounts; to provide for subaccounts; to provide for an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:542(A)(2) and (3), (B)(introductory paragraph), and (F)(2), 883.1(A)(2) and (3), (B)(introductory paragraph), and (G)(2) are hereby amended and reenacted and Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:331, and R.S. 11:542(A)(4), (B)(4), and (F)(3), and 883.1(A)(4), (B)(4), and (G)(3) are hereby enacted to read as follows:

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SUBPART P. LEGISLATIVE INTENT

§331. Legislative intent; certain Acts

The Legislature of Louisiana hereby declares that the intent of the provisions of this Title that were enacted by the Act that originated as Senate Bill No. \_\_\_\_\_ of the 2012 Regular Session is to attain and maintain the actuarial soundness of state and statewide systems as required by the Constitution of Louisiana, Article X, Section 29.

\* \* \*

§542. Experience account

A.

\* \* \*

(2) The experience account shall be credited as follows:

(a) To the extent permitted by ~~Paragraph~~ **Paragraphs (3) and (4)** of this Subsection and after allocation to the consolidated amortization bases as provided in R.S. 11:102.1, an amount not to exceed fifty percent of the remaining balance of the prior year's net investment experience gain as determined by the system's actuary.

(b) To the extent permitted by ~~Paragraph~~ **Paragraphs (3) and (4)** of this Subsection, an amount not to exceed that portion of the system's net investment income attributable to the balance in the experience account during the prior year.

**(3)(a) The experience account shall contain two subaccounts: the "hazardous duty" subaccount and the "rank-and-file" subaccount. The liabilities attributable to the active members and retirees covered by the two subaccounts shall be determined in each actuarial valuation beginning with the June 30, 2012, valuation, and the ratio of each group's liabilities to the total liability shall be determined. The experience account allocation for any year shall be divided between the subaccounts based on this ratio.**

**(b)(i) The hazardous duty subaccount shall be applicable to members and retirees from any of the following groups:**

**(aa) Public safety service employees referred to as "member" or**

1 "members" in R.S. 11:601(B).

2 (bb) Peace officers employed by the Department of Public Safety and  
3 Corrections, office of state police, other than state troopers, as provided in R.S.  
4 11:444(A)(2)(b).

5 (cc) Personnel employed by the Department of Revenue, office of alcohol  
6 and tobacco control, as provided in R.S. 11:444(A)(2)(c).

7 (dd) Wildlife agents.

8 (ee) Bridge police.

9 (ff) Members of the Hazardous Duty Services Plan.

10 (ii) The rank-and-file subaccount shall be applicable to any member or  
11 retiree not covered by Item (i) of this Subparagraph.

12 (4) In no event shall the amount in the ~~experience~~ account either

13 subaccount exceed the reserve necessary to grant two permanent benefit increases

14 to the retirees covered by that subaccount as provided in Subsection C of this

15 Section.

16 B. The experience ~~account~~ subaccounts shall be debited as follows:

17 \* \* \*

18 (4) The rank-and-file subaccount shall be debited for its proportionate  
19 share of the system's net investment experience losses during the prior year.  
20 The share of such losses shall be based on the ratio determined pursuant to  
21 Subparagraph (A)(3)(a) of this Section.

22 \* \* \*

23 F.

24 \* \* \*

25 (2) No permanent benefit increase for retirees covered by the hazardous  
26 duty subaccount shall be authorized based on any actuarial valuation in which both  
27 of the following apply:

28 (a) The system fails to earn an actuarial rate of return which exceeds the  
29 board-approved actuarial valuation rate.

1 (b) The system is less than eighty percent funded.

2 **(3) No permanent benefit increase for retirees covered by the rank-and-**  
3 **file subaccount shall be authorized based on any actuarial valuation in which**  
4 **the system is less than eighty percent funded.**

5 \* \* \*

6 §883.1. Experience account

7 A.

8 \* \* \*

9 (2) The experience account shall be credited as follows:

10 (a) To the extent permitted by ~~Paragraph~~ **Paragraphs (3) and (4)** of this  
11 Subsection and after allocation to the consolidated amortization bases as provided  
12 in R.S. 11:102.2, an amount not to exceed fifty percent of the remaining balance of  
13 the prior year's net investment experience gain as determined by the system's actuary.

14 (b) To the extent permitted by ~~Paragraph~~ **Paragraphs (3) and (4)** of this  
15 Subsection, an amount not to exceed that portion of the system's net investment  
16 income attributable to the balance in the experience account during the prior year.

17 **(3)(a) The experience account shall contain two subaccounts: the**  
18 **"postsecondary education" subaccount and the "K-through-12" subaccount.**  
19 **The liabilities attributable to the active members and retirees covered by the**  
20 **two subaccounts shall be determined in each actuarial valuation beginning with**  
21 **the June 30, 2012, valuation, and the ratio of each group's liabilities to the total**  
22 **liability shall be determined. The experience account allocation for any year**  
23 **shall be divided between the subaccounts based on this ratio.**

24 **(b)(i) The postsecondary education subaccount shall be applicable to**  
25 **each of the following groups of members and retirees:**

26 **(aa) Academic and administrative employees of a public institution of**  
27 **higher education.**

28 **(bb) Employees of the Board of Regents, the Board of Supervisors for the**  
29 **University of Louisiana System, the Board of Supervisors of Louisiana State**

1           University and Agricultural and Mechanical College, or the Board of  
2           Supervisors of Southern University and Agricultural and Mechanical College,  
3           or of the successor to one of these boards.

4                   (cc) Employees of any other constitutionally established board which  
5                   manages institutions of postsecondary education.

6                   (ii) The K-through-12 subaccount shall be applicable to any member or  
7                   retiree not covered by Item (i) of this Subparagraph.

8                   (4) In no event shall the amount in ~~the experience account~~ **either**  
9                   **subaccount** exceed the reserve necessary to grant two permanent benefit increases  
10                  **to the retirees covered by that subaccount** as provided in Subsection C of this  
11                  Section.

12                  B. The experience account **subaccounts** shall be debited as follows:

13   \*       \*       \*

14                   (4) **The postsecondary education subaccount shall be debited for its**  
15                   **proportionate share of the system's net investment experience losses during the**  
16                   **prior year. The share of such losses shall be based on the ratio determined**  
17                   **pursuant to Subparagraph (A)(3)(a) of this Section.**

18   \*       \*       \*

19                  G.

20   \*       \*       \*

21                   (2) No permanent benefit increase **for retirees covered by the K-through-**  
22                   **12 subaccount** shall be authorized based on any actuarial valuation in which both  
23                   of the following apply:

24                   (a) The system fails to earn an actuarial rate of return which exceeds the  
25                   board-approved actuarial valuation rate.

26                   (b) The system is less than eighty percent funded.

27                   (3) **No permanent benefit increase for retirees covered by the**  
28                   **postsecondary education subaccount shall be authorized based on any actuarial**  
29                   **valuation in which the system is less than eighty percent funded.**

\* \* \*

Section 2.(A) As soon as practicable after the effective date of this Act, the Public Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the system prepared as provided in R.S. 11:102. This valuation shall include a revised employer contribution rate for each plan within the system to be utilized in the fiscal year which begins on July 1, 2012. This valuation shall incorporate all changes enacted by the legislature in the 2012 Regular Session.

(B) The Public Retirement Systems' Actuarial Committee is authorized to adopt an actuarial valuation or revised employer contribution rate to be utilized in the fiscal year which begins on July 1, 2012, calculated in accordance with R.S. 11:102, which has been prepared on behalf of the division of administration by a member of the American Academy of Actuaries who meets the qualification requirements of the academy to issue a particular statement of actuarial opinion.

Section 3. If a final judgment declares any of the provisions of this Act unconstitutional or unconstitutional as applied to a particular class of employees, the other provisions of this Act shall remain in effect and also shall be applicable to all employees who are not in the class.

Section 4. This Act shall become effective on June 30, 2012; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on June 30, 2012, or on the day following such approval by the legislature, whichever is later.

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The original instrument was prepared by Laura Gail Sullivan. The following digest, which does not constitute a part of the legislative instrument, was prepared by Margaret M. Corley.

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#### DIGEST

Guillory (SB 740)

Present law establishes experience accounts in Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL) to fund permanent benefit increases for retirees of each system.

Proposed law provides for division of the experience accounts into subaccounts.

Relative to LASERS, proposed law divides the experience account into a "hazardous duty" subaccount and a "rank-and-file" subaccount and provides definitions for what types of employees and retirees are covered by each subaccount. Relative to TRSL, proposed law divides the experience account into a "postsecondary education" subaccount and a "K-

through-12" subaccount and specifies which employees and retirees are covered by each.

Present law authorizes the debiting of experience accounts by the following amounts:

1. An amount equal to that portion of the system's net investment loss attributable to the balance in the experience account during the prior year.
2. An amount sufficient to fund a permanent benefit increase.

Proposed law retains present law for each subaccount and further authorizes the debiting of the rank-and-file subaccount and the postsecondary education subaccount by its proportionate share of the system's net investment experience losses during the prior year.

Present law provides that no benefit increase shall be authorized if a system's actuarial valuation shows both of the following:

1. The system failed to earn an actuarial rate of return in excess of the board approved rate.
2. The system is less than 80% funded.

Proposed law retains present law for the hazardous duty and the K-through-12 subaccounts.

Proposed law requires that no benefit increase shall be authorized for the rank-and-file or the postsecondary education subaccount retirees if the actuarial valuation for the system shows that the system as a whole is less than 80% funded.

Further requires the Public Retirement Systems' Actuarial Committee (PRSAC) to meet as soon as practicable after the effective date of proposed law to adopt a revised actuarial valuation containing a revised employer contribution rate taking into account all changes to the law enacted by the legislature in the 2012 Regular Session.

Further authorizes PRSAC to adopt an actuarial valuation or revised employer contribution rate proposed by the division of administration to be utilized in FY 2012-2013, which has been prepared by a qualified actuary from the American Academy of Actuaries.

Effective June 30, 2012.

(Amends R.S. 11:542(A)(2) and (3), (B)(intro. para.), and (F)(2), and 883.1(A)(2) and (3), (B)(intro. para.), and (G)(2); adds R.S. 11:331, 542(A)(4), (B)(4), and (F)(3), and 883.1(A)(4), (B)(4), and (G)(3))

#### Summary of Amendments Adopted by Senate

##### Committee Amendments Proposed by Senate Committee on Retirement to the original bill

1. Proposed law requires that no benefit increase shall be authorized for the rank-and-file or the postsecondary education subaccount retirees if the actuarial valuation for the system shows that the system as a whole is less than 80% funded.